

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 CIEP-01 FAA-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 MC-02 OMB-01

TRSE-00 ITC-01 /073 W

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R 271744Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1392

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 01 OF 02 BONN 14372

E.O. 11652: GDS

TAGS: EAIR, GW, FR, IT, GB

SUBJECT: FRG REACTION TO FRENCH DECISION ON MERCURE 200

REF: (A) BONN 13726; (B) PARIS 24461

1. SUMMARY. RECENT FRENCH DECISION FOR JOINT PRODUCTION OF MERCURE 200 AIRCRAFT WITH MCDONNELL DOUGLAS CONTINUES TO DRAW NEGATIVE REACTION IN GERMANY. PROSPECTS ARE THAT BOEING WILL PRODUCE ITS 7N7 IN PARTNERSHIP WITH FRG AND UK MANUFACTURERS TO COMPETE WITH MERCURE 200 AND ALSO WILL PRODUCE THE 7X7 TO COMPETE WITH THE PROPOSED AIRBUS B-10. ACCORDING TO BOEING REPRESENTATIVE BOEING CAN GET BETTER AIRCRAFT ON MARKET FASTER THAN EUROPEANS. END SUMMARY.

2. FRENCH DECISION TO BUILD MERCURE 200 IN COOPERATION WITH MCDONNELL DOUGLAS IS SUBJECT OF CONTINUING ATTENTION IN FRG. NEWS MAGAZINE "DER SPIEGEL" AUGUST 23 ISSUE REPORTED THAT STATE SECRETARY MARCEL CAVAILLE
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CAME TO BONN THE DAY AFTER TO EXPLAIN THE DECISION TO

FRG AEROSPACE INDUSTRY COORDINATOR MARTIN GRUENER.
RESULTS OF THIS MEETING NOT KNOWN IN DETAIL, BUT FRG
OFFICIALS HAVE INDICATED TO EMBASSY THAT THEY ARE NOT
PLEASED WITH FRENCH EXPLANATION, ALTHOUGH THEY THINK
IT STILL POSSIBLE SOMETHING MIGHT BE WORKED OUT.

3. SPIEGEL ARTICLE QUOTES LUFTHANSA DIRECTOR REINHARDT
ABRAHAM AS SAYING DECISION SHOWS THE EXCEPTIONAL TALENT
OF THOSE INVOLVED TO THROW THEMSELVES INTO UNPROFITABLE
PROJECTS. HE CITED THE CONCORDE PROJECT AS ANOTHER
EXAMPLE. HE SAID THAT THE EUROPEAN AEROSPACE INDUSTRY
HAD TAKEN A GREAT STEP BACKWARD WITH THE PRESUMED LOSS
OF THE BOEING-AIRBUS INDUSTRIE PROGRAM TO PRODUCE A
SERIES OF AIRCRAFT BASED ON THE AIRBUS.

4. THE ARTICLE NOTED THAT BOEING IS NOW FREE TO GO
AHEAD WITH ITS 7X7 PROGRAM THAT WILL BE IN COMPETITION
WITH THE AIRBUS, AND THAT BOEING WOULD PROBABLY PROCEED
IN COOPERATION WITH FRG AND UK INDUSTRY TO PRODUCE THE
7N7 SERIES WHICH WILL COMPETE WITH THE PROPOSED
MERCURE 200 RANGE OF AIRCRAFT.

5. LOCAL BOEING REPRESENTATIVE RUDY HILLINGA CONFIRMED
MUCH OF ABOVE. HE SAID HE HAD BEEN IN CONTACT BEFORE
FRENCH DECISION WITH GRUENER AND WITH FRANZ JOSEF
STRAUSS WHO IS HEAD OF THE GERMAN PORTION OF AIRBUS
CONSORTIUM. BOTH SAID THAT CHOICE OF MERCURE 200
WAS UNACCEPTABLE. HE QUOTED STRAUSS AS SAYING, "WE
MUST KILL THE MERCURE." SUBSEQUENT TO DECISION,
HILLINGA SAID, FRG OFFICIALS AND INDUSTRY ARE
"FIGHTING MAD" AND WILL CONTINUE TO TRY TO KILL
MERCURE 200 PROJECT. HILLINGA SAID GRUENER AND
STRAUSS TOLD BOEING PRESIDENT E. H. BOULLIOUN ON
LATTER'S RECENT VISIT TO GERMANY THAT FRG DETERMINED
WITH OTHER EUROPEAN GOVERNMENTS TO ENSURE SURVIVAL

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 14372

OF EUROPEAN AEROSPACE INDUSTRY EVEN IF IT MEANT PUTTING
TARIFFS ON US MADE AIRCRAFT, BUT THEY PREFER TO HAVE
JOINT PROJECTS WITH US MANUFACTURERS.

6. HILLINGA SAID BOEING PREPARED TO GO AHEAD WITH
7X7 IF NECESSARY. THEY FEEL THEY CAN PUT OUT A BETTER
AIRCRAFT SOONER THAN THE EUROPEANS. THEY WERE
INTERESTED IN THE AIRBUS B-10 PROJECTS BECAUSE OF THE
BETTER ACCESS TO THE EUROPEAN MARKET IT WOULD HAVE
PROVIDED BUT THEY WERE WILLING TO AGREE TO JOINT
PROJECT ONLY IF THEY HAD MANAGEMENT CONTROL. FRENCH
WANTED TO RETAIN MANAGEMENT. THIS WAS WHY B-10 PROJECT
HAD NOT GOTTEN ANYWHERE. NOW THAT AEROSPATIALE
COMMITTED TO MERCURE IT IS VERY DOUBTFUL THAT THEY
COULD TAKE ON B-10 EVEN IF BOEING AND FRENCH GOVERN-
MENT AGREED ON TERMS.

7. BOEING 7N7 PRODUCTION AS JOINT PROGRAM WITH MBB
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OF GERMANY AND BAC OF UK NOW LIKELY TO GO AHEAD,
ACCORDING TO HILLINGA. HE SAID BOEING AGREEMENT WOULD
BE WITH MBB, AND IT WOULD BE UP TO GERMANS WHO ELSE
WOULD BE BROUGHT IN. HE NOTED, AS DID SPIEGEL ARTICLE,
THAT GRUENER WOULD BE TALKING WITH BOEING OFFICIALS
DURING HIS VISIT THIS WEEK TO US.

8. HILLINGA DESCRIBED FRENCH DECISION AS VERY
FOOLISH. HE SAID THE B-10 OR THE 7X7 WOULD BE THE
NATURAL FOLLOW-ON TO THE BOEING 727 WHICH WAS A MUCH
BIGGER POTENTIAL MARKET THAN THAT OF THE MERCURE AND

7N7 WHICH WOULD REPLACE THE BOEING 737.

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